



**North Carolina Department of Health and Human Services
Division of Mental Health, Developmental Disabilities and Substance Abuse Services**

3013 Mail Service Center • Raleigh, North Carolina 27699-3013

Tel 919-733-7013 • Fax 919-733-9455

Michael F. Easley, Governor
Carmen Hooker Odom, Secretary

Michael Moseley, Director

May 12, 2004

MEMORANDUM

TO: Area Program/LME Directors
Area Finance Officers
County Finance Officers

FROM: Wanda Mitchell
Acting Budget and Finance Team Leader

SUBJECT: CTSP and MR/MI Restricted Fund Balances

As stated in Leza Wainwright's November 6, 2003 memo, it has been the Division's intent to reconcile the restricted fund balances for the Comprehensive Treatment Services Program (CTSP, formerly At-Risk Children and Willie M.) and Mental Retardation/Mental Illness (MR/MI, formerly Thomas S.) funds and, following that, to discontinue the requirement to maintain restricted fund balances for those programs.

Tentative Settlement Reports (TSR) has been completed for the State Fiscal Year ended June 30, 2002 which is being used as the basis for the reconciliation. After completion of all TSR's, the result indicates a combined CTSP and MR/MI statewide negative restricted fund balance of **(6,321,126)**.

The November memo explained the process by which the Division will reconcile these funds. The process was developed in conjunction with the Management Systems Work Group of the N.C. Council of Community Programs. For your convenience, the guidelines used are as follows:

1. Area Programs with positive fund balances in the aggregate (CTSP plus MR/MI) will retain fund balances up to a level of eight percent (8%) of the combined CTSP and MR/MI budgets for SFY 2002.
2. Aggregate positive fund balance amounts in excess of eight percent (8%) of the combined CTSP and MR/MI budgets for SFY 2002 will be refunded to the Division.
3. If the amount to be retained will cause an Area Program's overall unrestricted fund balance as of June 30, 2002 to exceed fifteen percent (15%) when unrestricted, the Division will work with the area program on an individual basis to determine the amount to be refunded.
4. The Division will redistribute the amount refunded to the Area Programs with overall negative fund balances in a ratio of their negative balance to the overall negative balance. There will be insufficient funds to bring any negative balance to \$0, but this method will spread the excess proportionately to those Area Programs with the greatest deficits.



5. When all refunds and redistributions have been completed, the remaining balance in each fund balance account – positive or negative – will be unrestricted and the amounts added to or subtracted from the general unrestricted fund balance of the Area Program or County.

The attached spreadsheet details the status of the restricted fund balances. Area Programs with positive fund balances in excess of eight percent (8%) of the combined CTSP and MR/MI budgets should issue a refund to the Division no later than **May 28, 2004**. Please send those payments to my attention. As soon as we have received the refunds, we will redistribute those amounts to the Area Programs with overall negative restricted fund balances in the amounts indicated on the worksheet. We plan to complete this process by June 21, 2004. After you have processed the refund to the Division or received the proportionate redistribution from the Division, the remaining balance in these accounts should be incorporated into the overall unrestricted fund balance for the agency.

We want to emphasize that it is not necessary for your local auditor to compute any changes in the fund balances as a result of operations during SFY 2002-2003 since we are reconciling and unrestricting the fund balances at the SFY 2002 amount. The Regional Accountants will not compute the fund balance individually for these programs for the SFY 2003 TSR cycle.

Please feel free to contact me if you have any questions.

Attachment

cc: Secretary Carmen Hooker-Odom
Lanier Cansler
James Bernstein
DMH/DD/SAS Executive Leadership Team
Carol Duncan Clayton
Robin Huffman
Mike Mayer
Bob Hedrick
Patrice Roesler
Dick Oliver
Budget & Finance Office
Bob Duke
Regional Accountants

